



- Daniel Newman: Darius Adamczyk, welcome to the 2022 Six Five Summit. It's really exciting to be here, be back in Charlotte at your beautiful headquarters, and to be sitting down with you once again for this day opening keynote.
- Darius Adamczyk: Well thank you Dan, good to see you again, and looking forward to our discussion.
- Daniel Newman: Yeah, this place is great isn't it? We're up on the 23rd floor, we're looking out at the Bank of America Stadium at the NFL game. I kind of want to come back for the fall. I don't know if Darius can help us out.
- Patrick Moorhead: Listen, I don't know where I want to sit here, either in your hallway to watch the game or maybe down on the field, but no, it's beautiful. I mean, and it is great, Darius this is the first time that you and I had met. It's great to be here in person, and thanks again for kicking off our day three. And maybe the best place to start, so first off, Honeywell is a leading industrial technology company, and you talk to a lot of your peers, a lot of your customers out there. Curious, what's keeping them up at night? What are they talking about in the boardrooms? I always like to say, what's in the top five?
- Darius Adamczyk: Right. Well, I think it's certainly an exciting time. I mean, I've been running businesses for well over two decades, and I can't remember a time where we've had so many things to keep us interested would be a kind way to put it. But I mean, between inflation and labor shortages and supply chain, and frankly geopolitical is probably the most prominent issue right now that everybody's watching and what's happening, and particularly in Europe and the war, and what impacts it's going to have longer term. So there has not been a shortage of things to keep us occupied, probably unlike any time I can remember in running a business. I mean, there's always... the '08, '09 period wasn't fun, 2001, the '15, '16 kind of oil and gas recession.
- I mean, the businesses go through their cycles and their challenges, but I don't personally recall a time there have been so many crises all occurring at the same time, and trying to manage through all of that in a graceful, thoughtful way is challenging. But it's also exciting, because it's sort of, these are the times that really prepare a business for the future. Because if you can maneuver through times like this, you can maneuver through many things. But I would say right now, in no particular order, geopolitical's probably number one. Supply chain is probably a close second, and inflation is third. And then there's other things, fun things like labor shortage and training and development, and the whole work from home issue, which we're still kind of trying to do things with. So there's probably about five to seven other issues that we're dealing with as well.
- Patrick Moorhead: Yeah, it's funny. We sometimes... I used to think of them as marketing words, this whole flexibility and agility, right? And more than ever, leaders and their organizations have to be flexible, they have to be agile. I think the only thing that's certain is change will increase. And I'm always wondering, is it driven by the fact that new technology is working on the new technology in the future? There've actually been a lot of research studies on that, that actually does show that it's not your imagination, things are actually speeding up.



Darius Adamczyk: Yeah. I certainly, they certainly are, and they were. And I do believe COVID has been a catalyst to accelerate a lot of these technologies and so on. I mean, let's be honest. Things like Zoom and Teams existed prior to COVID, I mean, but I don't know about you guys, but I barely ever used them. I mean, they were in existence, but it was pretty rare that I would use them.

Patrick Moorhead: It was a big room solution, right?

Darius Adamczyk: Exactly.

Patrick Moorhead: Where you would want to get big rooms of people connected, but that was pretty much it. And now, we're bringing data, we're bringing collaboration, and one block equals one person now, which has also mixed up the whole power dynamic in ways. So it's pretty amazing.

Daniel Newman: It definitely exposed us to how much faster an organization can implement change when they're forced to. It kind of showed that sort of Darwinism in society. I mean, we all snapped back really quickly and it was like you thought the world was going to end. I still remember waking up with hives. I mean, I literally woke up with hives in March of 2020. I was wondering what's going to happen to the business, what's going to happen to our world, should my kids leave the house? I mean, is my mom safe? I mean, the questions we were asking, by like May it was like, we've all shifted our businesses. We're all on Zoom. I'm having more meetings than ever before, I'm busier, the company's starting to grow again. It was like, wow, in two months we literally went from the world looked like it was going to come capitulate, to here we go, we're back.

Darius Adamczyk: Right. I think that's exactly right. I mean, I also recall that memorable March 2020. I mean, I actually just, I had my hip surgery right early March that year and I came back to work right after, and kind of everybody's saying, "Hey, we've got to send everybody home." And, well how do we do that and how are we going to manage and run the business? And like you said Dan, certainly within two weeks, we're up and running again, and somehow we figured it out. I mean, a crisis is a mother of invention, and we very quickly pivoted. And by May, we kind of figured it out, which was, it's remarkable to sort of change the whole business model, to change how we operate, in a manner of essentially six weeks. It sort of just tells you what's possible in time of crisis.

Daniel Newman: Absolutely. I think if we kept at that rate we would all fatigue. I think we need, we almost need to slow a little bit, because the productivity levels were off the charts. It was great for business growth, and then you pump a couple trillion dollars in stimulus into the economy, and a lot of things happened both good and bad. It helped grow, and now it's some of the macro issues you mentioned.

Darius Adamczyk: I think that's absolutely true. I mean, as I recall back to March, and April, and May, and the first few months of the pandemic, I mean we were all operating under a state of panic really, because nobody really understood what COVID was all about, what the solutions will be, what the world's going to look like six, 12, 18 months from now, and nobody really understood how serious this pandemic was. I mean, now we have therapeutics, we have vaccines, we're in a much, much different and better place. But as we recall back to that time, it's a unique time in history. I think we're always going to look back on it and say, wow, that was-



Daniel Newman: It'll be in history books. It'll be interesting to see how our kids are taught about this, or our kids' kids get taught about this particular period of time. It's funny, because you started the question Pat, asking him about what sort of kept the CEOs, because you were at Davos, probably having some of those conversations, what's keeping everyone. And then you also sort of mentioned in your earlier remarks what's waking you up in the morning, because as it was leading a company, kind of all this stuff excites you. It's like okay, this is my challenge. This is my maze, my puzzle.

When all those factors came together though, one thing that did happen is we created this wild surge in demand, okay? So all this stimulus, all this acceleration of tech, growth in business and the economy, suddenly demand things like semiconductors, but all kinds of supplies grew. And so the supply chain is really interesting to me, especially where you sit in the business. We talk a lot about it in the chip space, but you guys provide supplies and materials to companies all over the world, in so many different industries. Kind of where do you see, I'd like to just drill down a little bit, but where do you see this supply challenge at right now? And sort of how are you working alongside all those customers and partners of yours to sort of help them navigate it? Sure. And get back on track.

Darius Adamczyk: Yeah, no, I think it's been... Supply chain issue has been rather interesting also because supply chains in general, they do not react well to wild swings, both to the negative and then to the positive. And if we think about 2020, there was just a huge, just in some businesses, just a cliff in terms of fall off in March of 2020, only to be replaced in 2021 by this steep hill of demand. And that's not how supply chains are developed. They just can't react that fast. Particularly, supply chains are longer, they're multinational, they span oceans and people sort of de-capacitized in 2020 because they had to, because they had no business.

And in 2020, now that demand came roaring back and all of a sudden, all this is taking time to work its way through. So what are we doing personally? I think we've deployed... Just to give you a very specific example, aerospace, which is our biggest business, we've deployed over 300 people into our supply base to try to help some of our smaller suppliers get back to rate, help them get higher people, help them to get their planning done. So we've been very proactive in trying to recorrect supply chain to operate more smoothly.

But some of this was predictable because when you go through these kinds of wild swings both down and then up, supply chains, that's just not how supply chains act. They're not that fast. Particularly if they're long supply chain, if they serve a install base that's decades old, and a very broad set of products, you kind of combine all those factors, it's not that shocking that we're all struggling with some of the supply chain factors.

Patrick Moorhead: Yeah. I like to say, even before the pandemic, looking at the global issues or the challenges that United States had with certain regions out there, it changed the spreadsheet, right? There used to be a pretty built-in equation on where you would manufacture things, but you had some constants, which was what would the quality be? How quickly could I get it? And what's the percentage chance that that supply chain is going to shut off.

Daniel Newman: Right.



Patrick Moorhead: I think what we saw in the previous administration, that caused a certain type of bubble. And then we went into this really odd supply and demand condition during the pandemic. I don't know how manufacturing companies like yours do this. I spent 20 years at manufacturing companies, so I saw it front and center, but I can't believe how challenging it is, and we're still not through it. And we still have thousands of ships sitting outside of Shanghai, waiting to either take goods out or bring goods in.

I'd like to shift the conversation to something that's a little bit more long term, and that's energy transition. Honeywell's been front and center in this, in fact, 60% of your revenue comes from ESG related products and services. And quite frankly, there's a lot of companies that talk about what they do in this area, but you're at the center of it.

Daniel Newman: Right.

Patrick Moorhead: Your customers are companies that I like to say, make the planet run. They make cars, they produce food, they produce energy. So they're actually doing it, right. So I'd like to get your take on where are we in this energy transition process? Is it the first inning? Are we 10% there? Will we even know when we're there?

Darius Adamczyk: Right. Well, I think that's that's right. Honeywell can play a very big role in the energy transition. It comes from our PMT and more specifically our ULP businesses because although we have and will continue to serve some of the hydrocarbon energy customers that we have, and have a rich array of technologies to serve them, we also have a very broad set of technologies to lead the energy transition. So whether it's green fuels, whether it's plastics recycling, whether it's carbon capture, whether it's flow batteries and energy storage, hydrogen we have a whole range of technologies available to really lead that transition.

And where are we? Certainly early innings, whether you want to call it first inning or second inning, we could probably debate about that. And for me, my opinion is, we have to be very thoughtful about that transition. We can't go too slow, but we also can't go too fast. And there is a happy medium, because if we turn off the hydrocarbons too fast, we're going to make an energy crisis. If we go too slowly, then we're going to have an environmental crisis and we don't want either one of those two scenarios. And I think there's a natural transition, which is as the use of renewables goes up, initially we kind of...

And the use of coal as an energy, then oil, then gas, which is, I think is going to be the transition hydrocarbon of choice, and then the renewable. I'm not sure it's really going to be possible to skip some steps along the way. And I think that if we try to skip steps, we might be in a position where we're going to be energy short. And so it's got to be thoughtful. We're certainly ready and willing and want to go as quickly as our customers want to go, the government entities want to go. We have our ready array of technology. So we don't really have a technology advantage.

Economics are challenging, frankly, in some of these technologies. And that's totally understandable because when you bring a new technology to the market, the infrastructure to feed stocks and so on have to be developed, and there's going to have to be a close cooperation



between governments, the private sector, and to create an regulatory infrastructure, which is supportive of that transition, but not in a disruptive way, such that we cause energy shocks. And I think that's really the key for the next five years.

- Patrick Moorhead: I have to tell you, this is the most pragmatic and realistic conversation I've had about this in years. So first of all, thank you for that. And a little bit editorial on my side is that we need more of that realistic conversation. And it's the first time I had heard going from coal all the way to sustainable energy. But no, I appreciate that. And I think we need more discussion, open discussion about that. It's not binary. It's not zeros and ones.
- Darius Adamczyk: Right.
- Patrick Moorhead: It's not a light switch. It's more of a rear stat.
- Daniel Newman: Yeah. I was going to say getting the light switch to switch though is fairly energy dependent, right?
- Darius Adamczyk: It is. I think there is no instant gratification in line, right? I'd like all our energy to be renewable and sustainable and so on tomorrow.
- Daniel Newman: Right.
- Darius Adamczyk: I think we all would, but we also ... I'm not sure that's really realistic. And I think that we have to be thoughtful and make progress every single year. I'm glad to see the commitments, scope two, scope three. We've made our commitments in scope two and scope three. It's the right thing to do, but we also have to be thoughtful in terms of how we drive that transition and also support energy, such that it doesn't create economic shocks to the broader global economy. And I think we've seen examples of that, which frankly has been a challenge because a couple of countries decided to go a little too fast, and frankly have been disruptive to their economies.
- Daniel Newman: Well, we've seen the geopolitical landscape, the continued war, the impact it's had on parts of Western Europe because of the ambitious migration towards renewables. And now you have a disproportionate dependence on a potential nation state that we're not doing business with right now.
- Darius Adamczyk: Right. That's right.
- Daniel Newman: And now you can't get the energy you need and you see prices rise and soar and consumers get hurt. And I think the thing you said that was probably so pragmatic is that it's and. You and I talk about this when we talk strategically all the time, that we often want to use the or, or the binary, but often it is and. It's going to be the combination of continuing ... we should be finding a way to bring prices down at the pump and stuff. And maybe that means more for a little while, but you can also pour that investment, those savings into efforts -
- Darius Adamczyk: Into changing that landscape of energy, -



Daniel Newman: Exactly.

Darius Adamczyk: - which by the way, I think a lot of our customers are doing. They are making that transition. I mean as an example, we see a very robust environment where we are the leading world's player in green fuels technologies. And we think the last nine months have been very exciting for us. We've had numerous, numerous wins. So it's great to see a lot of the energy companies making those investments. And they're doing very, very well right now in their hydrocarbons, but they're also using some of those funds to actually make the energy transition, which is exactly what you'd kind of hope to see. And they're doing that in a way that I think is going to be thoughtful and not disruptive.

Daniel Newman: Yeah.

Darius Adamczyk: So we're excited about the future. And I mean, it's undeniable that transition is going to happen. We can debate in what timeframe and phase, but it is happening and it will happen. And we're excited to be at the front of it, because we have the technologies. There's a couple of technologies that are still kind of in that invention phase, but most of them are here, they're today, they're available, they work, and they're actually in use by our customers.

Daniel Newman: Right. So let's talk about the practical of this. So we've got a tougher economic situation coming. I think we can all agree we don't know ... we talked offline before we started this interview about the soft landing. We all agree that that may be a challenge. We know that it's going to slow down a little bit. That's where the policy is at right now. You raise interest rates, you make credit markets tighter, growth is going to slow, investment's going to slow. So that's a challenging environment. So when you're leading a publicly traded company, or even a small enterprise, at some point you have to snap back and start thinking about profit and success and keeping people employed and all the things. So the green efforts seem to sometimes, at least in the way it's presented, be a trade off, like, "Hey, if we want to invest in this, it's going to add cost. It's going to force us to change processes." Is there a balance? Can we find profit and find success and find growth while concurrently turning our businesses in the direction of more ESG, more energy transition?

Darius Adamczyk: I do think it's very possible. And I mean, whether it's ourselves or our customers, we're making those kinds of investments, both in terms of internally. I mean we've kind of ... I mean as Honeywell, we've done it for a decade and a half. I mean our carbon footprint has been reduced by 90% in the last 15 years. So I mean we've kind of done this a long time ago, way before kind of everybody was talking about it. It was kind of a natural part of what we'd done because we thought it was sort of ... carbon pollution wasn't invented in the last two, three years. It's been here for decades. And we started on this journey 15 years ago and now we're just continuing it. Some other companies are a little bit maybe later in terms of joining the party, but from what we see and we see from our customers, they're all thinking about this, and not just thinking about it, they're actually making investments.

And even through an economically challenged cycle, which we may see, probably likely will see, I think that investment will be sustained. I don't think that valve is going to get completely shut off



and say, "Well, forget about our sustainable path." I just don't see that happening. I think the train has left the station. I think that there is a lot of momentum on shareholders, stakeholders, all the parties involved to really have sustainability as a prime agenda in a sensible way, both in terms of for stakeholders and shareholders and customers in a balanced way. So I don't think an economic change, which may happen, is necessarily going to cause businesses to kind of reverse course on what they've done.

Patrick Moorhead: That's interesting. In the commercial office building space, in which you operate quite heavily, I still lodged in my brain the notion of managing my building for my smartphone. And part of that is understanding energy use inside of the building and people coming in and out. And I've talked to a few building managers in New York City, and they're able to save a million dollars a month by being able to predict ... this was pre-pandemic when people would come in, whether they take energy off the grid or did they take it off their batteries.

Darius Adamczyk: Right.

Patrick Moorhead: So let's take it off when it's lower costs. So I think that's one example that I like to focus on in how you can save money and use less energy at the same time. So it's there, and I think as an industry, I think particularly as we most likely get into a challenging economic time to talk about how you can save money and have better customer interactions because of it.

Darius Adamczyk: Well, I think that's exactly right, because when you think about the energy transition and making the planet greener, there are two aspects of it. And we talked a lot about the former, which is sustainable sources of energy. That's terrific and we need to drive that, but the other element, which is just as important, which is using less energy in the ecosphere that we currently operate in, because that's a much more immediate opportunity. So driving a 20% reduction in your energy usage for a commercial building is a huge deal for the planet. Luckily we're in that business too, some of our connected buildings offerings for some of our building technologies offerings as well. So this is why, for Honeywell, we kind of had two primary strategic levers for growth, becoming a software industrial, a journey that we started five plus years ago, and really something that we've announced at our investor day very recently in March, which is sustainability. And when I say sustainability is driving both those sets of solutions, number one is the energy itself and everything associated with it, such as plastics, recycling, and so on, and green fuels and hydrogen and all these things. But then also a set of technologies and solutions that can help save energy within where we operate. So whether it's fuel consumptions for an aircraft, whether it's energy usage for a building, whether it's introduced in a warehouse. We currently have all those kinds of solutions which can help customers save energies within their current structure.

Patrick Moorhead: Darius, like to end on an innovation point. So the theme of this year's conference is endless innovation. And Daniel and I have personally visited your UAM research facility. And quite frankly, I was blown away. Actual taxis that are in the air, that are driven by electricity and autonomous. And it's real. Right? It's not science fiction. You have put together some big bets, some big initiatives, including quantum at the company. But can you take us through your approach to these big bets, these long term investments that you're making?



Darius Adamczyk:

Yeah, I think it's too easy to focus on tomorrow at a big business like Honeywell. Right? Because I mean, you've got shareholders you've got to satisfy, you've got to meet the quarter, you've got to meet the year. And it's too easy to kind of turn off the longer term investment saying, okay, if I don't spend 50, a hundred million dollars on this new technology, which actually won't give me a penny this year or next year, or maybe even the year after I can drop that money back to shareholders. Actually, it sounds really easy and a lot of people talk about, well, of course we manage for the short term and long term. But I question whether many do.

So we've really kind of formalized this as part of how we operate the business is what we call breakthrough technologies. So we have numerous bets going on across Honeywell in technologies that may not be revenue generating today or tomorrow or the day after. But we think are going to change the world in five to 10 years from now. And you pointed out one example, UAS and UAM that's just one. Quantum computing is another. Sustainability for some of those things are generating revenue today, but many of them are not industrial cyber security. That's a business that was zero five years ago. It's now over a hundred million dollar business for us.

So we're continuously making these kinds of bets on the future about technologies that we think are going to be relevant. And that's kind of how you stay relevant in the marketplace is you kind of have to think five to 10 years out. Because if you don't, whoever succeeds me, may come into it out of the cupboard. And that's been a very formal part of our operating system, which is we kind of have this sort of a graduation process, which is ideas, incubation, and business units.

And we kind of go through that cycle. And some things fall off they just don't work. They never became real. We never advanced the technology far enough, but that's fine. And then you ultimately graduate into these business units. So we've had examples of that. You named one UAS. UAM, quantum computing, being another. Sustainability technology solutions. We talked about that at length. That was initially an incubation idea that grew into a business unit. That is very much part of the Honeywell cycle in terms of how we curate and promote innovation. Not just for the short term, because that's also part of our algorithm, but really kind of the long term and game changing kinds of technologies.

Daniel Newman:

I love that he used algorithm to sort of wrap that up. I mean, is there an actual algorithm? But I think what you're saying is part of the reason why we spend a decent amount of our time talking about Honeywell because sometimes as tech analysts, people are like, you're talking about big tech company, A, B. Google, Amazon. Why Honeywell? Well, because you're doing really disruptive tech technology things that by the way, impact all these industries that aren't tech technology and there's a lot of excitement there.

Darius Adamczyk:

Yeah. And thank you for noticing that because for whatever reason, I don't know why it is, but as both of you have correctly pointed out, you don't have to be in the B2C space to be a technology company. But there's a little bit of a thinking, well, only technology companies that exist are in the B2C space. Well, that's not true. There's a whole range of technologies that serve the industrial markets that are every bit as complex, challenging to create, needed by the world and will have a deep, deep impact on the world. I mean just some... There are sustainable



technology solutions. I mean these are world changing kinds of technologies that can make the planet greener for future generations. And I argue that's as impactful as anything else that's out there.

Patrick Moorhead: And Darius, I see it as it's a communications challenge. Because if I look at the cubic amount of communications that the B2C companies put out and those experiences versus, let's say, what the B2B industrial technology companies had done for the last 10 years, it was a huge variance. So I think it's a communication issue, but I think what we've seen just one example is space. Right? I think more than ever people think space is freaking cool. Right? And you're a big part of that. I mean, every time you see a plane, there's likely going to be a Honeywell inside of that.

So I think this is the great part about you taking part in the summit is that you're not only sharing the good word for your peers and investors to understand, but I also think you're also educating, we're educating people that space, aviation, drones, I mean materials. Right? Supply chain are core parts of technology that if we had an order of magnitude change in that, I think we could change the world. And I think that's what Honeywell's doing. Is literally you're changing the world. And I'll give you the last word here, Daniel, but it is funny. I talked with your comms folks and we're going over... You have like a treasure chest of cool tech that just needs more people's eyeballs on it. And I think we're going to be a better place because of it.

Daniel Newman: And if you think about it, just one final layer, all these seculars. AI, big data, automation, 5G. I mean, this stuff all connects directly to what's happening in these industries and these spaces that you mentioned. And it's like we want to, again, it's just such a societal behavior that we want to be binary, you're tech or you're not. Right? You're innovating or you're not. And the truth is that every industry, every space... And by the way, things like you mentioned planes. I mean, there's a lot of technology that goes into that. So I'm really glad that you were able to come here and be part of this. Or actually we were able to come here and be part of this for you.

Patrick Moorhead: Yes.

Daniel Newman: Great conversation, Darius. Thank you so much for being part of the 2022 65 Summit. I'm sure everyone out there is just absolutely thrilled to have had a chance to hear this. And we hope to have you again soon.

Darius Adamczyk: Thank you.

Daniel Newman: Thank you.

Darius Adamczyk: And thank you both. Enjoyed the conversation.